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ALLIANCE CREDIT CORPORATION / 10<sup>th</sup> ANNUAL REPORT 1965



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## ALLIANCE CREDIT CORPORATION 10<sup>th</sup> ANNUAL REPORT—AUGUST 1965

### HEAD OFFICE\*

8585 Saint-Laurent Boulevard  
Montreal 11, Que.

### REGIONAL OFFICES

3335 Yonge Street  
Toronto, Ont.

2680 Chemin des Quatre Bourgeois  
Ste-Foy, Que.

1111 Main Street, Suite 103  
Moncton, N.B.

89 State Street  
Boston, Mass. 02109

70 Market Street  
Manchester, N.H.

Seebahnstrasse 85  
8036 Zurich, Switzerland

\* 750 Laurentien Boulevard, Saint-Laurent, Montreal 9, Que.  
(From January 1966)

744-6792

### DIRECTORS

**Jean Thérien**  
President and General Manager

**Jean Charbonneau**  
Executive Vice President and Assistant General Manager

**Marc H. Dhavernas**  
President, North American Holdings Ltd.

**John D. Gibson**  
Vice President, Sparmont Corporation Ltd.

**Guynemer Giguère**  
Professor of Finance, École des Hautes Études Commerciales,  
University of Montreal

**Gérard Gingras**  
Financier

**François-Hubert Godin**  
President, Société de Placements Ltée

**F. Ronald Graham, Jr.**  
Vice Chairman, Oswald Drinkwater & Graham Ltd.

**Jean-Paul Groulx**  
Vice President

**Louis Jalabert**  
Vice President and General Manager, Société Financière  
pour le Commerce et l'Industrie S.F.C.I. Ltd.

**Emé Lacroix, Q.C.**  
Lacroix, Viau, Hébert, Thivierge, Sylvestre & Viau

**Jean-Paul Tardif**  
President, Savings & Investment Corporation

### OFFICERS

**Jean Thérien**  
President and General Manager

**Jean Charbonneau**  
Executive Vice President and Assistant General Manager

**Jean-Paul Groulx**  
Vice President

**Ulric Ouimet**  
Vice President

**André Forest**  
Vice President and Treasurer

**Marc A. Bourgeois**  
Secretary

**Bernard Garceau**  
Assistant Secretary and Assistant Treasurer

**Bruce McBean**  
Assistant Treasurer

### FINANCIAL CONSULTANTS

**Roland Thérien**  
Chairman of the Board,  
Stability Life Insurance Company

**Roméo Valois, P.Eng.**  
Lalonde, Valois, Lamarre, Valois & Associates





**Bankers** National Canadian Bank, Montreal  
Bank of Montreal, Montreal  
The Royal Bank of Canada, Montreal  
The First National Bank of Boston, Boston, Mass.  
The Marine Trust Company of Western New York,  
Buffalo, N.Y.  
The Chase Manhattan Bank, New York, N.Y.

**Underwriters** Dominion Securities Corporation Limited, Montreal  
René-T. Leclerc Incorporée, Montreal  
Société de Placements Ltée, Montreal

**U.S. Investment  
Bankers** Kidder, Peabody & Co., Incorporated, Boston, Mass.

**Auditors** Raymond, Chabot, Martin, Paré & Cie, Montreal

**Legal Counsels** Geoffrion & Prud'homme,  
Solicitors and Barristers, Montreal

**Registrar and  
Transfer Agent** General Trust of Canada, Montreal

**Co-Registrars and  
Co-Transfer Agents** The Canada Trust Company, Toronto —  
First preferred shares, 1965 Issue  
National Trust Company Limited, Toronto —  
Class A shares

**Trustees** Montreal Trust Company, Montreal —  
Secured Notes  
General Trust of Canada, Montreal —  
Debentures  
The Royal Trust Company, Montreal —  
Subordinated Debentures

**Listing of  
Class A Shares** Montreal Stock Exchange  
The Toronto Stock Exchange

## LINES OF CREDIT

As of October 1, 1965, Alliance Credit Corporation and its subsidiaries were benefiting from lines of credit with the following financial institutions in Canada, the United States and Europe.

|                     |  |
|---------------------|--|
| New York, N.Y.      | Algemene Bank Nederland N.V.                             |
| New York, N.Y.      | The American Express Company Inc.                        |
| Manchester, N.H.    | The Amoskeag National Bank                               |
| Manchester, N.H.    | Amoskeag Savings Bank                                    |
| Buffalo, N.Y.       | Bank of Buffalo  |
| Montreal, Que.      | Bank of Montreal   |
| Cambridge, Mass.    | Cambridge Trust Company                                  |
| Montreal, Que.      | Canadian Imperial Bank of Commerce                       |
| Portland, Maine     | Canal National Bank                                      |
| New York, N.Y.      | The Chase Manhattan Bank                                 |
| Zurich, Switzerland | Commercial Bank in Zurich                                |
| Lynn, Mass.         | Essex County Bank and Trust Company                      |
| Fall River, Mass.   | Fall River Trust Company                                 |
| Pittsfield, Mass.   | First Agricultural National Bank of Berkshire County     |
| Lewiston, Maine     | First Manufacturers National Bank of Lewiston and Auburn |
| Boston, Mass.       | The First National Bank of Boston                        |
| Derry, N.H.         | First National Bank of Derry                             |
| Peoria, Illinois    | The First National Bank of Peoria                        |
| Portsmouth, N.H.    | The First National Bank of Portsmouth                    |
| St. Paul, Minnesota | The First National Bank of Saint Paul                    |
| Greenfield, Mass.   | First National Bank & Trust Company                      |
| Framingham, Mass.   | The Framingham National Bank                             |
| Worcester, Mass.    | Guaranty Bank & Trust Company                            |
| Providence, R.I.    | Industrial National Bank of Rhode Island                 |
| Keene, N.H.         | The Keene National Bank                                  |
| Rochester, N.Y.     | Lincoln Rochester Trust Company                          |
| Manchester, N.H.    | The Manchester National Bank                             |
| Manchester, N.H.    | The Manchester Trust Company                             |
| Buffalo, N.Y.       | The Marine Trust Company of Western New York             |
| Concord, N.H.       | The Mechanics National Bank of Concord                   |
| Worcester, Mass.    | The Mechanics National Bank of Worcester                 |
| Montreal, Que.      | The Mercantile Bank of Canada                            |
| Manchester, N.H.    | The Merchants National Bank of Manchester                |
| Schenectady, N.Y.   | The Mohawk National Bank of Schenectady                  |
| Montreal, Que.      | National Canadian Bank                                   |
| Boston, Mass.       | New England Merchants National Bank                      |
| Concord, N.H.       | New Hampshire Congregational-Christian Conference        |
| Montreal, Que.      | The Royal Bank of Canada                                 |
| Quebec, Que.        | Savings and Investment Corporation                       |
| Huntington, N.Y.    | Security National Bank of Long Island                    |
| Boston, Mass.       | State Street Bank and Trust Company                      |
| Dover, N.H.         | The Strafford National Bank                              |
| Zurich, Switzerland | Swiss Bank Corporation                                   |
| Zurich, Switzerland | Swiss Credit Bank  |
| Brookline, Mass.    | Town Bank and Trust Company                              |
| Zurich, Switzerland | Union Bank of Switzerland                                |
| Wellesley, Mass.    | The Wellesley National Bank                              |
| Worcester, Mass.    | Worcester County National Bank                           |



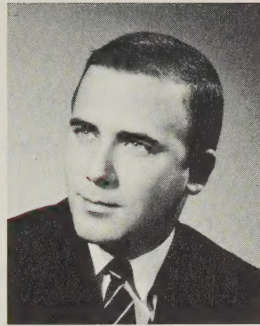


The front cover shows a sketch of the company's new ultra modern premises to be occupied in January 1966. Located at 750 Laurentien Boulevard, Saint-Laurent, (Montreal), this building will be known as "the Alliance House" and will accommodate the Head Offices of the company and its Canadian subsidiaries. Owned by Immobilia Inc., this new building, with four stories and a total of 115,000 square feet of floor space was designed to meet our future needs, but only 60% of the building's available space will be used at the outset.

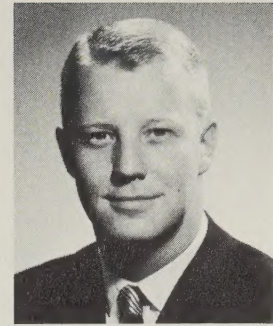
All our administration departments including a data processing center, equipped with an I.B.M. 360 electronic computer, a training school and a cafeteria will be located in this building.



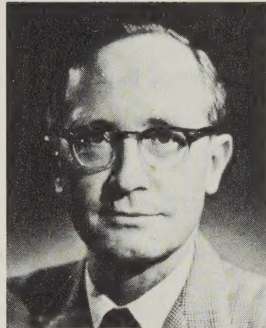
# DIRECTORS



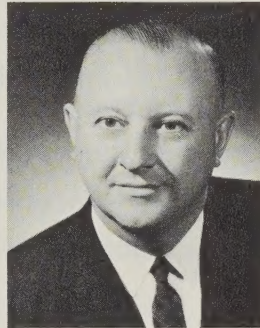
Jean Thérien  
President



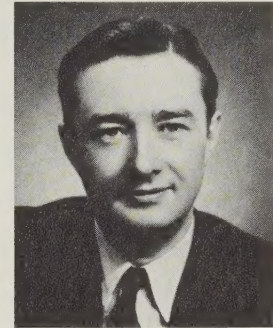
Jean Charbonneau  
Executive Vice President



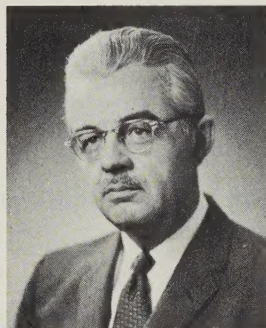
Marc H. Dhavernas



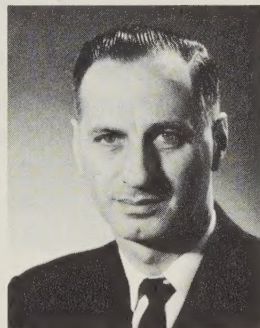
John D. Gibson



Guynemer Giguère



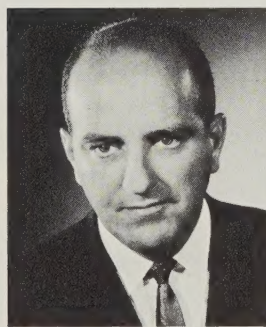
Gérard Gingras



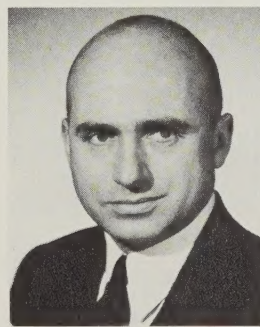
François-Hubert Godin



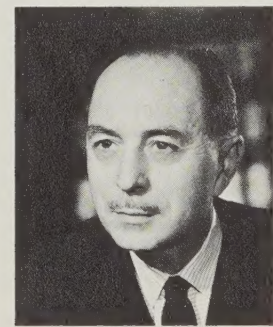
F. Ronald Graham, Jr.



Jean-Paul Groulx



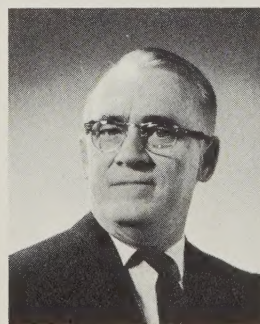
Louis Jalabert



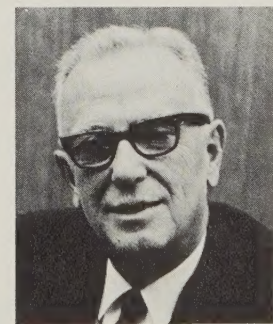
Emé Lacroix, Q.C.



Jean-Paul Tardif



Roland Thérien  
Financial Consultant



Roméo Valois  
Financial Consultant



# HIGHLIGHTS

|   | 1965          | 1964         |
|---|---------------|--------------|
| Total assets . . . . .  | \$101,760,774 | \$65,537,087 |
| Gross income . . . . .  | 9,518,728     | 4,295,975    |
| <hr/>   |               |              |
| Net earnings . . . . .  | 1,268,717     | 664,224      |
| Dividends on preferred shares . . . . .                       | 336,663       | 119,917      |
| Earnings available for Class A and<br>Common shares . . . . . | 932,054       | 544,307      |
| *Earnings per Class A share . . . . .                         | 91c           | 89c          |
| Indicated yearly dividend on Class A<br>shares . . . . .      | 60c           | 50c          |
| Number of Class A shares outstanding . . . . .                | 951,335       | 712,770      |
| Number of shareholders — Class A . . . . .                    | 1,662         | 1,056        |
| Total number of shareholders . . . . .                        | 2,897         | 1,573        |

## Sources of funds employed

|  |               |              |
|--|---------------|--------------|
| Secured debt . . . . .   | \$ 65,582,141 | \$44,252,706 |
| Subordinated debt . . . . .                                    | 11,899,500    | 5,680,500    |
| Shareholders' equity (including<br>preferred shares) . . . . . | 14,528,094    | 8,241,911    |

\*Based on the average number of shares outstanding

Montreal, Canada's Metropolis



Photo C.N.R.



# REPORT OF THE BOARD OF DIRECTORS

We are pleased to present the 10th Annual Report of our company, for the fiscal year ended August 31, 1965.

## Operations

Earnings for the fiscal year, after provision for doubtful accounts, reached \$9,518,728 and net profit, after taxes, amounted to \$1,268,717. The comparable figures for the prior fiscal year were \$4,295,975 and \$664,224 respectively.

After deducting dividends on preferred shares, net profit per class A share amounted to 91 cents, on the average number of shares outstanding during the year, to be compared with 89 cents for the prior fiscal year. As to the common shares, the figures were 76c and 74c for each period respectively, on the average number of shares outstanding. During the period ended August 31, 1965, 238,565 class A shares were issued, either for cash or through the conversion of debentures and preferred shares and the exercise of rights and options.

Under recent regulations, it is possible to claim for income tax purposes the full amount of commissions paid and expenses incurred for securities issued during a given fiscal year. We deemed it desirable to take advantage of this provision and have increased our allowance for doubtful accounts. This procedure was used in order to render comparisons between fiscal years more accurate.

The average cost of borrowing, which gradually decreased during the first nine months of the fiscal year, increased substantially over the last three months as a result of much tighter conditions in the short term market. This increase added to the expenses incurred for the opening of a number of branches dealing in personal loans, had the effect of reducing slightly the ratio of net profit to receivables, in comparison to that of the previous year.

## Dividends

Total dividends paid amounted to \$954,544, divided

Quebec City



Photo C.N.R.





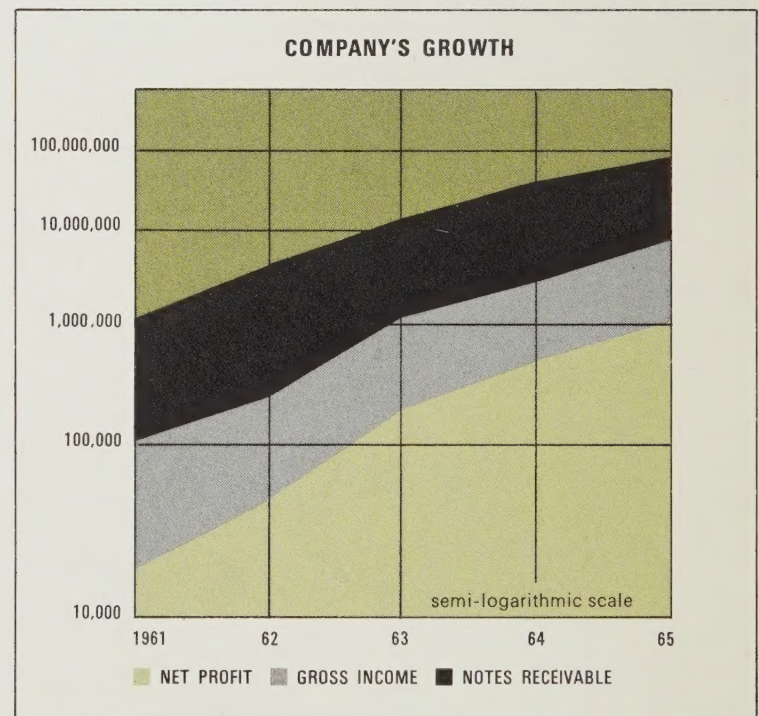
Toronto's new City Hall

as follows : \$336,663 on preferred shares, \$531,127 on class A shares and \$86,754 on common shares. During the year, the annual rate of dividends was increased from 50 cents to 60 cents on the class A shares and from 35 cents to 45 cents on the common shares. The total number of our shareholders increased from 1573 to 2897. Our class A shares, which were listed some time ago, on the Montreal Stock Exchange, have been trading on The Toronto Stock Exchange since February 2nd, 1965.

### Capitalization

In the year ended August 31, 1965, we sold through our fiscal agents in excess of \$28,000,000 of long term securities, preferred shares and class A shares, as follows : \$14,300,000 of long term secured notes (of which \$11,300,000 were placed privately in the United States), \$8,000,000 of debentures, \$4,500,000 of preferred shares and 132,000 class A shares representing an amount of \$1,366,500.

Our bank lines in Canada and in the United States which amounted to 18 million dollars at the end of the last fiscal year, have now reached 47 million dollars. The banks with whom we trade are listed on page 3.





| CLASS A SHARES |                        |                    |                            |
|----------------|------------------------|--------------------|----------------------------|
| August 31      | Number of shareholders | Earnings per share | Indicated yearly dividend* |
| 1965           | 1662                   | 91c                | 60c                        |
| 1964           | 1056                   | 89c                | 50c                        |
| 1963           | 119                    | 60c                | 25c                        |
| 1962           | 50                     | 27c                | 15c                        |

\*on an annual basis, computed according to the last quarterly dividend.



Halifax harbour

As at August 31, 1965, our capital and surplus totalled \$14,528,094 compared with \$8,241,911 a year before. Subordinated debt increased from \$5,680,500 to \$11,899,500.

Short term debt amounting to \$38,857,141 consisted principally of bank borrowings, but included all other obligations maturing within twelve months. Our short term debt therefore represented 42% of capital used in the enterprise, compared to 53% at the end of the preceeding year. It is important to mention that as at August 31, 1965 our short term secured notes, with the exception of those held by banks, were entirely covered by cash and unused bank lines. This is a policy which we intend to maintain.

Business

Volume of business for the period totalled 130 million dollars and receivables, which amounted to \$61,966,276 a year before, reached \$93,414,268. Fifty-four new branches were opened, particularly to inaugurate operations in the Province of Ontario and the Maritimes. A new company was incorporated in the United States and we acquired an operating firm in Europe.

*Alliance Finance Corporation*, a personal loan subsidiary, the creation of which was announced in our last annual report, now has assets over 11 million dollars. During the period under review, 41 new offices were opened. A total of 58 branches are now operating in the Provinces of Quebec, Ontario, New Brunswick, Nova Scotia and Newfoundland. In spite of the fact that this subsidiary has been in operation since June 1964 only, a number of branches already show a profit and the gradual increase in business in offices which were opened more recently leads us to expect much improved results during 1966.

In March 1965, *Dorval Finance Corporation* was incorporated for the purpose of operating a personal



loan business in the United States, thereby supplementing services already offered by *Bankers Discount Trust, Inc.*, a subsidiary engaged in the financing of automobiles in the State of Massachusetts. *Dorval Finance Corporation* now has five branches in Rhode Island, while *Bankers Discount Trust, Inc.* has increased the number of its offices from one to four. Also, during March 1965, we acquired *Finanz AG, Zurich*, a Swiss firm founded in 1931 with assets over SF 6,000,000, operating a general lending business established in Zurich. We increased its capital from SF 250,000 to SF 1,000,000 and changed its name to *Allianz Kredit AG*. Two offices were opened in Lucerne and Bâle. This subsidiary will continue to borrow its own funds on the European market.

There is a promising future in Switzerland and certain other European countries for firms in the instalment and small loan finance business. It should be added that we are contemplating the purchase of a company in France.

Through the branches of *Alliance Credit Corporation*, which increased in number from 11 to 27 during the year, we have continued to successfully develop our main business which is the financing of automobiles and appliances. This activity contributes approximately 50% of the total volume of business of the enterprise.

The financing of industrial and commercial equipment by another subsidiary, *Alliance-Norac Ltd.*, was broadened ; this company now has branches in Montreal, Quebec and Toronto and offers a complete service of short term and medium term commercial loans. The average amount of its outstanding loans is \$10,000.

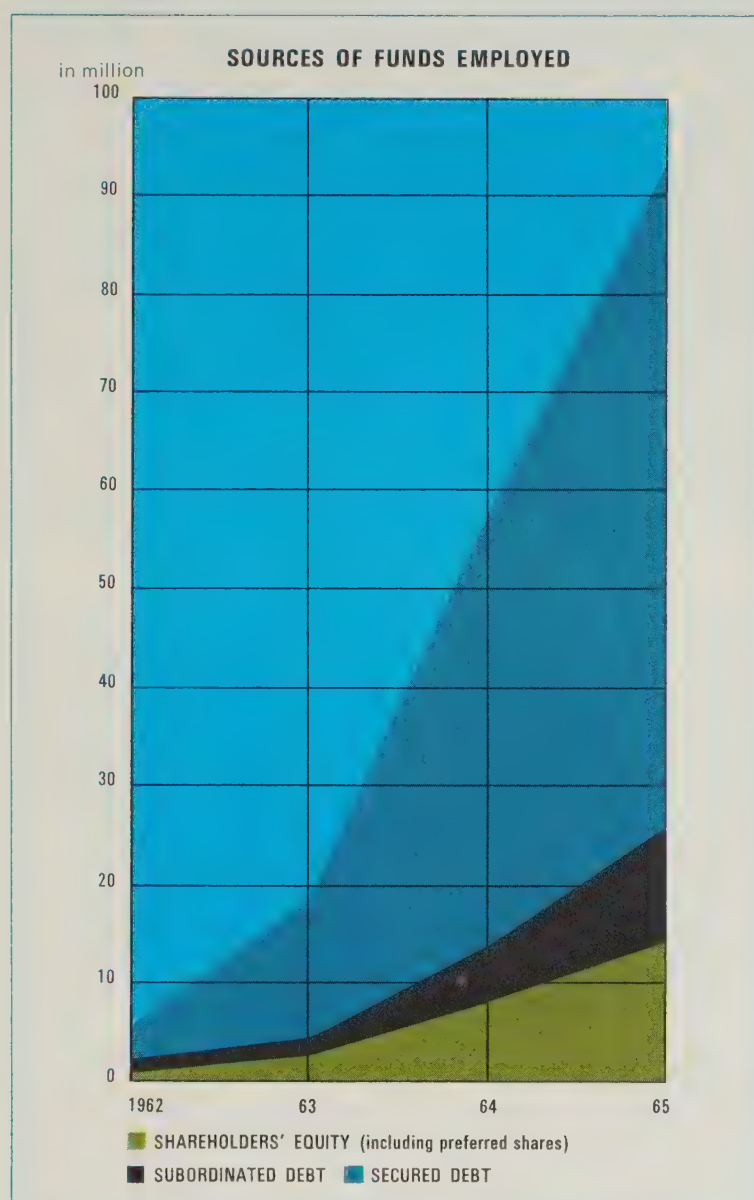
The various services offered by *Alliance Credit Corporation* and its subsidiaries are more fully described on page 23 and the following.

While we have vigorously continued to expand, we have followed a policy of selective credit based on

"Prudential Center", Boston







| DISTRIBUTION OF NOTES RECEIVABLE        |            |            |            |
|---|------------|------------|------------|
|   | 1965       | 1964       | 1963       |
| Automobiles and Trucks                  | 41,500,000 | 28,600,000 | 9,600,000  |
| Household Appliances and Consumer Goods | 12,000,000 | 7,800,000  | 3,500,000  |
| Personal Loans                          | 8,300,000  | 1,100,000  | —          |
| Mortgage Loans                          | 7,500,000  | 5,100,000  | 1,800,000  |
| Rediscount                              | 3,500,000  | 2,800,000  | —          |
| Commercial Equipment                    | 9,600,000  | 9,500,000  | 4,100,000  |
| Industrial Equipment                    | 11,000,000 | 7,000,000  | 1,100,000  |
| Total                                   | 93,400,000 | 61,900,000 | 20,100,000 |

sound, established and accepted standards.

Allowance for doubtful accounts was increased from \$798,988 to \$1,573,562 representing 1.7% of receivables at the end of the period as compared to 1.3% the previous year.

The percentage of delinquent accounts compares favorably with that of companies engaged in a similar business while the ratio of losses to receivables liquidated is below the one prevailing in our industry.

The considerable volume of our operations and our expansion program have prompted us to mechanize a number of our operations. To this end, a computer will be delivered to us early in 1966. In January 1966, we will also occupy new premises in Saint-Laurent, (Montreal), where the head office of the company and its Canadian subsidiaries will be located, as well as main administrative departments.

This is also a good opportunity to mention the incorporation of a new wholly-owned subsidiary in the United States which was created to acquire, shortly after the end of our fiscal year, the assets of *New Hampshire Finance Corporation*, a firm engaged since 1924 in the financing of instalment sales and personal loans. With assets of 18 million dollars, the company had developed a market for its borrowings with a number of banks and other financial institutions in the United States. *New Hampshire Finance Corporation* will continue to borrow on its own in the United States the sums required for the expansion of its network of branches in the New England States.

With this acquisition, the total amount of our receivables increased to 110 million dollars after August 31, 1965. A sum of \$3,500,000 was also added to our capital through the sale of preferred shares and class A shares for the purpose of providing funds for the above mentioned acquisition.

#### Board of Directors and Personnel

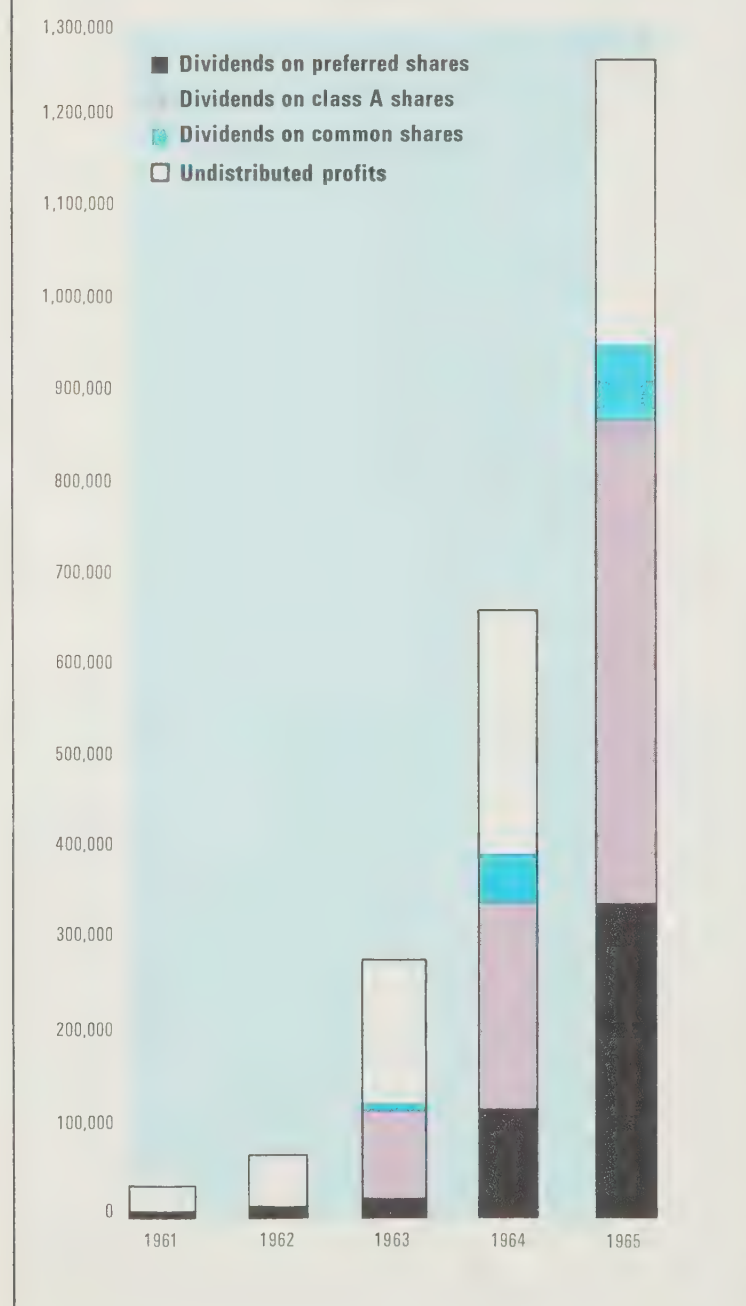
Nine meetings of the board of directors were held



### CONTRACTS OUSTANDING AND AVERAGE BALANCE

|      | Receivables  | Number of contracts | Average balance |
|------|--------------|---------------------|-----------------|
| 1965 | \$93,414,268 | 62,659              | \$1,491         |
| 1964 | 61,966,276   | 28,929              | 2,142           |
| 1963 | 20,170,343   | 11,010              | 1,832           |
| 1962 | 6,216,517    | 3,258               | 1,908           |

### DIVIDENDS



during the fiscal year ; two directors were added : Mr. John D. Gibson, vice president of Sparmont Corporation Ltd. and Mr. Louis Jalabert, vice president and general manager of Société Financière pour le Commerce et l'Industrie S.F.C.I. Ltd. We are fortunate in having the benefit of their wide knowledge and experience. The resignation of Mr. Maurice Sigouin as director was accepted ; we are pleased to take this opportunity to thank him for his support and contribution to the success of the enterprise.

Because of our expansion, it was deemed appropriate to appoint as vice presidents of the company Messrs. Jean-Paul Groulx, Ulric Ouimet and André Forest, who were already active in the senior management of the enterprise.

A considerable increase in personnel at all levels confirms the development of ALLIANCE. We were fortunate in being able to secure experienced and highly qualified personnel for all important positions. A number of younger employees were also hired and they are taking part in an intensive program of instruction to prepare them for more senior responsibilities eventually.

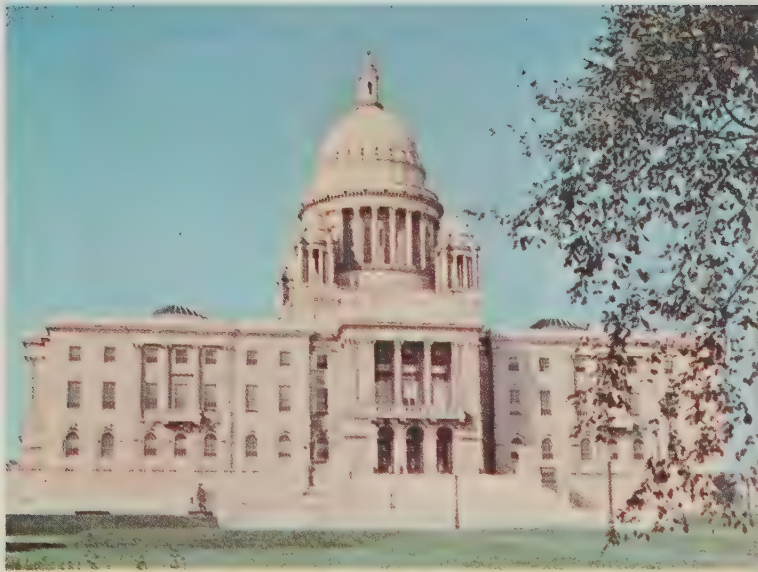
The quality of our personnel and the importance of its contribution are borne out by the remarkable development of the company. The enthusiasm of our staff, its interest, its initiative and unstinting efforts have supported management most efficiently. We are pleased to express our appreciation and to acknowledge that it is our most valuable asset.

### Prospects

Economic prospects lead us to believe that business conditions will continue to be favourable during 1966. Sustained demand for our services is therefore to be expected. Capital requirements will remain heavy and current high rates of interest will prevail for some time yet.

Due to additional costs of borrowing, we have





"Marble State House", Providence



A scene from Bahnhofstrasse, Zurich, Switzerland

decided to increase the yield on certain types of our loans, in order to improve the net results for the current fiscal year.

During the period under review, we have established the basis of long term plans to widen our sphere of operations, both geographically and as to variety.

To refine the quality of our services and to allow for the full development of our new subsidiaries will require sustained efforts. We propose to apply ourselves with energy to the realization of these objectives, while pursuing a program of development at a moderate rate.

All in all, we foresee the future with optimism, confident that the basic policies that we have adopted are favourable to the continued stability and prosperity of our enterprise.

On Behalf of the Board of Directors,

Jean Thérien, President

Montreal, November 5th, 1965.

#### GEOGRAPHICAL BREAKDOWN OF NOTES RECEIVABLE

|                      | Amount              | Percentage  |
|----------------------|---------------------|-------------|
| <b>Canada</b>        |                     |             |
| Quebec               | \$83,234,328        | 89.1        |
| Ontario              | 1,424,466           | 1.5         |
| New Brunswick        | 439,383             | 0.5         |
| Nova Scotia          | 2,027,702           | 2.2         |
| Newfoundland         | 247,398             | 0.3         |
| Total                | 87,373,277          | 93.6        |
| <b>United States</b> |                     |             |
| Massachusetts        | 4,079,310           | 4.4         |
| Rhode Island         | 436,568             | 0.4         |
| Total                | 4,515,878           | 4.8         |
| <b>Switzerland</b>   | 1,525,113           | 1.6         |
| <b>Grand Total</b>   | <u>\$93,414,268</u> | <u>100%</u> |



# AUDITOR'S REPORT

To the Shareholders  
Alliance Credit Corporation

We have examined the consolidated balance sheet of ALLIANCE CREDIT CORPORATION and its subsidiaries as of August 31, 1965 and the consolidated statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations which we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, according to the best of our information and the explanations given to us and as shown by the books of those companies, the accompanying consolidated balance sheet and the consolidated statements of earnings and retained earnings, supplemented by the notes appended thereto, present fairly the financial position of the company and its subsidiaries as of August 31, 1965 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in deferring the cost of developing newly established offices, which change we approved and as described in note 4.

RAYMOND, CHABOT, MARTIN, PARÉ & CIE

Chartered Accountants

Montreal, October 22, 1965.



# ALLIANCE CREDIT CORPORATION AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED AUGUST 31, 1965

(with comparative figures for the year ended August 31, 1964)

|   | 1965                | 1964              |
|---|---------------------|-------------------|
| <b>Income</b>   |                     |                   |
| Interest and service charges (after provision for doubtful accounts)  | \$ 9,518,728        | \$ 4,295,975      |
| <b>Cost of Borrowings</b>   |                     |                   |
| Interest on short term notes secured                                  | 1,904,957           | 943,521           |
| Interest on long term notes secured                                   | 1,200,244           | 535,785           |
| Interest on debentures and other subordinated debts                   | 479,436             | 209,177           |
| Amortization of discount and financing expenses                       | 81,629              | 43,417            |
|   | <u>3,666,266</u>    | <u>1,731,900</u>  |
| <b>Income after cost of borrowings</b>                                | <u>5,852,462</u>    | <u>2,564,075</u>  |
| <b>Expenses</b>   |                     |                   |
| General and administrative expenses                                   | 2,328,923           | 741,354           |
| Salaries  | 2,438,598           | 683,146           |
| Legal fees  | 47,679              | 30,012            |
| Depreciation on fixed assets  | 39,268              | 47,084            |
| Amortization of deferred cost of developing newly established offices | 12,435              | —                 |
|   | <u>4,866,903</u>    | <u>1,501,596</u>  |
| Less: Deferred cost of developing newly established offices           | 698,701             | 89,688            |
|   | <u>4,168,202</u>    | <u>1,411,908</u>  |
| <b>Earnings before income taxes</b>                                   | <u>1,684,260</u>    | <u>1,152,167</u>  |
| <b>Income Taxes</b>   | 415,543             | 487,922           |
| <b>Earnings</b>   | <u>1,268,717</u>    | <u>664,245</u>    |
| <b>Minority Interest</b>  | —                   | 21                |
| <b>Net Earnings for the year</b>                                      | <u>\$ 1,268,717</u> | <u>\$ 664,224</u> |

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED AUGUST 31, 1965

(with comparative figures for the year ended August 31, 1964)

|  | 1965              | 1964              |
|--|-------------------|-------------------|
| Balance at beginning of year   | \$ 517,448        | \$ 242,430        |
| <b>Deduct:</b>   |                   |                   |
| Adjustment of allowance for doubtful accounts of a subsidiary at the date of its acquisition, less income taxes recovery | 408,000           | —                 |
| Organization expenses written off  | 2,569             | —                 |
|  | <u>410,569</u>    | <u>—</u>          |
|  | 106,879           | 242,430           |
| <b>Add:</b>  |                   |                   |
| Net earnings for the year —  | 1,268,717         | 664,224           |
|  | <u>1,375,596</u>  | <u>906,654</u>    |
| <b>Deduct:</b>   |                   |                   |
| Dividends —  |                   |                   |
| Preferred shares   | 336,663           | 119,917           |
| Class A shares   | 531,127           | 216,564           |
| Common shares  | 86,754            | 52,725            |
|  | <u>954,544</u>    | <u>389,206</u>    |
| <b>Balance at end of year</b>  | <u>\$ 421,052</u> | <u>\$ 517,448</u> |



# ALLIANCE CREDIT CORPORATION AND ITS SUBSIDIARIES CONSOLIDATED



## ASSETS

### Current Assets

|   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
| Cash . . . . .                                  |                   | \$ 2,806,683      |                   | \$ 685,299        |
| Notes and accounts receivable (Note 2) :        |                   |                   |                   |                   |
| Retail obligations . . . . .                    | 71,589,372        |                   | 51,385,289        |                   |
| Wholesale obligations . . . . .                 | 6,931,410         |                   | 4,227,829         |                   |
| Other obligations . . . . .                     | 6,618,013         |                   | 5,271,364         |                   |
| Personal instalment loans . . . . .             | 8,275,473         |                   | 1,081,794         |                   |
| Accounts receivable . . . . .                   | 1,891,079         |                   | 726,379           |                   |
|   | <u>95,305,347</u> |                   | <u>62,692,655</u> |                   |
| Less: Allowance for doubtful accounts . . . . . | 1,573,562         | 93,731,785        | 798,988           | 61,893,667        |
| Prepaid expenses . . . . .                      |                   | 337,037           |                   | 99,372            |
| Income taxes receivable (Note 3) . . . . .      |                   | 365,176           |                   | —                 |
|   |                   | <u>97,240,681</u> |                   | <u>62,678,338</u> |

### Investment, at cost

|  |  |   |  |        |
|--|--|---|--|--------|
| Shares — without quoted market value . . . . . |  | — |  | 68,100 |
|--|--|---|--|--------|

### Fixed Assets

|  |               |         |               |         |
|--|---------------|---------|---------------|---------|
| Automobiles, office equipment and alterations to leased premises, at cost. . . . . | 191,880       |         | 147,747       |         |
| Less: Accumulated depreciation . . . . .   | <u>40,684</u> | 151,196 | <u>38,557</u> | 109,190 |

### Other Assets

|   |           |                      |              |                      |
|---|-----------|----------------------|--------------|----------------------|
| Financing expenses and discount on notes and debentures less amounts amortized . . . . .        | 1,625,862 |                      | 785,002      |                      |
| Deferred cost of developing newly established offices less amounts amortized (Note 4) . . . . . | 810,954   |                      | 89,688       |                      |
| Excess cost over book value of net assets of subsidiaries                                       | 1,932,081 |                      | 1,804,654    |                      |
| Organization expenses . . . . .   | <u>—</u>  | 4,368,897            | <u>2,115</u> | 2,681,459            |
|   |           | <u>\$101,760,774</u> |              | <u>\$ 65,537,087</u> |

Signed on behalf of the Board,

Jean Thérien, Director

Jean Charbonneau, Director



# BALANCE SHEET AUGUST 31, 1965 (with comparative figures as at august 31, 1964)

## LIABILITIES

|  | 1965                 | 1964                 |
|--|----------------------|----------------------|
| <b>Current Liabilities</b>                       |                      |                      |
| Short term notes secured                         | \$ 38,857,141        | \$ 30,817,706        |
| Short term notes unsecured                       | —                    | 450,000              |
| Accounts payable and accrued charges             | 449,040              | 171,675              |
| Accrued interest                                 | 671,881              | 382,989              |
| Provision for dividends payable (Note 5)         | 168,084              | 92,226               |
| Income taxes                                     | —                    | 271,190              |
| Dealers' retentions                              | 1,708,498            | 752,693              |
|  | <u>41,854,644</u>    | <u>32,938,479</u>    |
| <b>Deferred Income</b>                           |                      |                      |
| Unearned finance income                          | 5,572,132            | 5,306,630            |
| <b>Long Term Notes Secured (Note 6)</b>          | 26,725,000           | 13,435,000           |
| <b>Long Term Subordinated Debt (Note 7)</b>      | 11,899,500           | 5,230,500            |
| <b>Reserve for Foreign Exchange Fluctuations</b> |                      |                      |
| (Note 8)   | 1,181,404            | 380,034              |
| <b>Minority Interest in a Subsidiary</b>         | —                    | 4,533                |
| <b>Shareholders' Equity</b>                      |                      |                      |
| Capital (Notes 9, 10 and 11):                    |                      |                      |
| Preferred shares                                 | 7,846,650            | 3,698,000            |
| Class A shares                                   | 3,331,466            | 2,138,310            |
| Common shares                                    | 272,019              | 192,903              |
|  | <u>11,450,135</u>    | <u>6,029,213</u>     |
| Contributed Surplus (Note 12)                    | 2,656,907            | 1,695,250            |
| Retained Earnings                                | 421,052              | 8,241,911            |
|  | <u>\$101,760,774</u> | <u>\$ 65,537,087</u> |



# ALLIANCE CREDIT CORPORATION AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements August 31, 1965

## 1 — PRINCIPLES OF CONSOLIDATION

The consolidated balance sheet comprises the accounts of Alliance Credit Corporation and its wholly-owned subsidiaries: Canadian subsidiaries: Alliance Credit (Ontario) Corporation (formerly Inter City Credit Incorporated), Alliance-Norac Ltd., Alliance Finance Corporation and Foro Inc.

United States subsidiaries: Bankers Discount Trust, Inc., Dorval Finance Corporation and Dorval Credit Corporation.

Swiss subsidiary: Allianz Kredit AG.

The Accounts of the United States subsidiaries and European subsidiary and the other accounts in foreign currencies have been translated into Canadian dollars at the rate of exchange at August 31, 1965 except that fixed assets with related accumulated depreciation are at the rate current at date of acquisition and the earnings at the average rate during the year.

2 — The retail obligations represent balances, including deferred income, owing by purchasers of motor vehicles, household appliances, commercial and industrial equipment and receivables from other debtors. The wholesale obligations consist of balances owing by dealers for the financing of their inventory. The other obligations group balances on sundry loans.

The personal instalment loans are balances on small loans consented by Alliance Finance Corporation. The accounts receivable include the balances on unsecured loans, interest receivable on wholesale obligations and goods in company's hands.

3 — The company claimed, as in preceding years, for Federal income tax purposes, the financing expenses incurred and this year, the discounts and commissions paid on issues. For Provincial income tax purposes, the company has also claimed these deductions while in the past, they were deducted as per the amortization recorded in the books. As a result, income taxes payable are approximately \$335,728 less than if they had been calculated on the basis of the amortization appearing on the books and which are established according to the terms of the various issues. The cumulative amount of such income tax reductions is \$446,661.

4 — The small loans subsidiaries follow the practice, after deduction of income, of deferring the operating expenses incurred by each new branch during its development period which is considered to be the first twelve months of operation. The amount deferred for each office, which does not exceed \$15,000, will be charged against future profits in a period not exceeding thirty-six months following completion of the development period.

On September 1, 1964, this method of deferring the cost of developing newly established offices was revised by increasing from \$10,000 to \$15,000 the amount deferred. As a result, the consolidated gross income was increased by \$178,400.

5 — The provision for dividends payable represents the accrued portion of the dividends declared or to be declared and payable between September 30 and November 1, 1965 to the different classes of shareholders.

## 6 — LONG TERM NOTES SECURED

|   | August 31,<br>1965  | August 31,<br>1964  |
|---|---------------------|---------------------|
| Series "A" — 6½%, sinking fund, maturing November 1, 1977 . . . . .             | \$ 2,000,000        | \$ 2,000,000        |
| Series "C" — 6½%, sinking fund, maturing April 1, 1978 . . . . .                | 1,500,000           | 1,500,000           |
| Series "D" — 6%, U.S. funds, sinking fund, maturing April 1, 1978 . . . . .     | 1,000,000           | 1,000,000           |
| Series "E" — 6½%, maturing October 1, 1973 . . . . .                            | 575,000             | 585,000             |
| Series "F" — 6%, U.S. funds, maturing October 1, 1966 . . . . .                 | —                   | 1,000,000           |
| Series "G" — 6½%, maturing October 1, 1966 . . . . .                            | 500,000             | 500,000             |
| Series "H" — 6½%, maturing November 1, 1973 . . . . .                           | 300,000             | 300,000             |
| Series "I" — 6½%, sinking fund, maturing November 1, 1978 . . . . .             | 1,200,000           | 1,200,000           |
| Series "J" — 5½%, U.S. funds, sinking fund, maturing August 1, 1979 . . . . .   | 2,050,000           | 2,050,000           |
| Series "K" — 5½%, U.S. funds, sinking fund, maturing August 1, 1979 . . . . .   | 300,000             | 300,000             |
| Series "L" — 6%, sinking fund, maturing August 1, 1979 . . . . .                | 1,500,000           | 1,500,000           |
| Series "M" — 6½%, maturing August 15, 1977 . . . . .                            | 1,000,000           | 1,000,000           |
| Series "N" — 6½%, maturing August 15, 1978 . . . . .                            | 500,000             | 500,000             |
| Series "O" — 5½%, U.S. funds, sinking fund, maturing January 15, 1980 . . . . . | 8,300,000           | —                   |
| Series "P" — 6%, sinking fund, maturing February 1, 1985 . . . . .              | 3,000,000           | —                   |
| Series "Q" — 5½%, U.S. funds, sinking fund, maturing August 15, 1980 . . . . .  | 2,000,000           | —                   |
| Series "R" — 6%, U.S. funds, sinking fund, maturing August 15, 1980 . . . . .   | 1,000,000           | —                   |
|   | <u>\$26,725,000</u> | <u>\$13,435,000</u> |



## 7 — SUBORDINATED LONG TERM DEBT

|  | August 31,<br>1965  | August 31,<br>1964  |
|--|---------------------|---------------------|
| Series "A" — 7% Debentures, with share purchase warrants, maturing November 1, 1974 . . .                    | \$ 688,000          | \$ 700,000          |
| Series "B" — 7% Debentures, maturing October 1, 1974 . . . . .   | 200,000             | 200,000             |
| Series "C" — 6% Debentures, with share purchase warrants, maturing November 1, 1975 . . .                    | 1,400,000           | 1,400,000           |
| Series "D" — 6½% Debentures, with share purchase warrants, maturing April 15, 1976 . . .                     | 1,000,000           | 1,000,000           |
| Series "E" — 6¼% Debentures, maturing May 15, 1977 . . . . .   | 2,000,000           | —                   |
| Series "F" — 6¼% Debentures, maturing May 15, 1985 . . . . .   | 3,000,000           | —                   |
| Series "A" — 7% Subordinated Debentures, convertible, maturing April 1, 1973 . . . . .                       | 1,000               | 120,000             |
| Series "B", — 6½% Subordinated Debentures, with share purchase warrants, maturing July 15,<br>1978 . . . . . | 310,500             | 310,500             |
| Series "C" — 6¼% Subordinated Debentures, convertible, maturing November 1, 1979 . . .                       | 3,000,000           | —                   |
| 6% Unsecured Subordinated Note, maturing June 21, 1966 . . . . .   | 300,000             | 300,000             |
| 6½% Unsecured Subordinated Note, maturing November 26, 1965 . . . . .  | —                   | 1,200,000           |
|  | <u>\$11,899,500</u> | <u>\$ 5,230,500</u> |

8 — The reserve for foreign exchange fluctuations represents the premium received on the issues of secured long term notes and preferred shares issued and redeemable in United States funds and the unrealized profit on conversion of foreign currency accounts into Canadian dollars.

## 9 — CAPITAL

|  | August 31,<br>1965  | August 31,<br>1964  |
|--|---------------------|---------------------|
| 1963 Preferred Shares  |                     |                     |
| 6½% cumulative first preferred shares redeemable at \$110, of \$100 par value (U.S. funds)                           |                     |                     |
| Authorized and outstanding: 4,000 shares . . . . .   | \$ 400,000          | \$ 400,000          |
| 1964 Preferred Shares  |                     |                     |
| 6¼% cumulative first preferred shares redeemable at \$21.40, of \$20 par value and with share purchase warrants      |                     |                     |
| Authorized and outstanding: 50,000 shares . . . . .  | 1,000,000           | 1,000,000           |
| 1965 Preferred Shares  |                     |                     |
| 6% cumulative first preferred shares redeemable at a price not exceeding \$53 each, of \$50 par value                |                     |                     |
| Authorized and outstanding: 60,000 shares . . . . .  | 3,000,000           | —                   |
| 1963 Subordinated Preferred Shares   |                     |                     |
| 6% cumulative convertible subordinated preferred shares, redeemable at \$10.30, of \$10 par value                    |                     |                     |
| Authorized: 115,275 shares;  |                     |                     |
| Outstanding: 97,290 shares (1964 — 129,800 shares) . . . . .   | 972,900             | 1,298,000           |
| 1964 Subordinated Preferred Shares   |                     |                     |
| 6¼% cumulative, subordinated preferred shares redeemable at \$25.75, of \$25 par value, with share purchase warrants |                     |                     |
| Authorized and outstanding: 40,000 shares . . . . .  | 1,000,000           | 1,000,000           |
| November 1964 Subordinated Preferred Shares  |                     |                     |
| 6% cumulative, subordinated preferred shares redeemable at \$53, of \$50 par value                                   |                     |                     |
| Authorized: 29,750 shares; outstanding: 29,475 shares . . . . .  | 1,473,750           | —                   |
|  | <u>7,846,650</u>    | <u>3,698,000</u>    |
| Class A Shares   |                     |                     |
| Participating, non cumulative, non voting and non redeemable   |                     |                     |
| Authorized: 2,000,000 shares   |                     |                     |
| Outstanding: 951,335 shares (1964 — 712,770 shares) . . . . .  | 3,331,466           | 2,138,310           |
| Common Shares  |                     |                     |
| Shares without par value   |                     |                     |
| Authorized and outstanding: 200,000 shares (1964 — 192,903 shares) . . . . .   | 272,019             | 192,903             |
|  | <u>\$11,450,135</u> | <u>\$ 6,029,213</u> |



**10 — CHANGES IN CAPITAL STOCK**

|  | 1965    |              | 1964    |              |
|--|---------|--------------|---------|--------------|
|  | Shares  | Amount       | Shares  | Amount       |
| 1964 Preferred Shares  |         |              |         |              |
| Issued for cash . . . . .  | —       | —            | 50,000  | \$ 1,000,000 |
| 1965 Preferred Shares  |         |              |         |              |
| Issued for cash . . . . .  | 60,000  | \$ 3,000,000 | —       | —            |
| 1963 Convertible Subordinated Preferred Shares                                   |         |              |         |              |
| Issued for cash . . . . .  | —       | —            | 130,000 | \$ 1,300,000 |
| Converted to Class A shares . . . . .  | 32,510  | \$ 325,100   | 200     | 2,000        |
|  | 32,510  | \$ 325,100   | 129,800 | \$ 1,298,000 |
| 1964 Subordinated Preferred Shares   |         |              |         |              |
| Issued for cash . . . . .  | —       | —            | 40,000  | \$ 1,000,000 |
| November 1964 Subordinated Preferred Shares                                      |         |              |         |              |
| Issued for cash . . . . .  | 30,000  | \$ 1,500,000 | —       | —            |
| Converted to Class A shares . . . . .  | 525     | 26,250       | —       | —            |
|  | 29,475  | \$ 1,473,750 | —       | —            |
| Class A Shares   |         |              |         |              |
| Issued for cash . . . . .  | 145,900 | \$ 517,200   | 233,245 | \$ 699,735   |
| Issued on exercise of share purchase warrants . . . . .                          | 34,255  | 225,195      | 13,725  | 41,175       |
| Issued on conversion of Series A 7% Subordinated Debentures . . . . .            | 23,800  | 111,101      | 74,700  | 224,100      |
| Issued on conversion of 1963 Convertible Subordinated Preferred Shares . . . . . | 34,610  | 339,660      | 200     | 600          |
|  | 238,565 | \$ 1,193,156 | 321,870 | \$ 965,610   |
| Common Shares  |         |              |         |              |
| Issued for cash . . . . .  | 7,097   | \$ 79,116    | 2,500   | \$ 2,500     |

By supplementary letters patent dated November 6, 1964, Class A shares of \$3 par value and common shares of \$1 par value have been changed for shares without par value.

**11 — DETAILS OF CLASS A SHARES RESERVED**

|  | August 31,<br>1965 | August 31,<br>1964 |
|--|--------------------|--------------------|
| a) for exercise of share purchase warrants which accompanied an unsecured short term note exercisable up to July 31, 1968 at \$12 per share . . . . .  | 11,250             | 11,250             |
| b) for exercise of share purchase warrants which accompanied the Series "A" — 7% Debentures on the basis of 25 shares for each \$500 at a price of \$5 per share up to November 1, 1965 and \$7 per share thereafter up to November 1, 1968. . . . .   | 8,550              | 23,425             |
| c) for exercise of share purchase warrants which accompanied the Series "C" — 6% Debentures on the basis of 35 shares for each \$1,000 at a price of \$9 per share up to November 1, 1965, \$11 per share thereafter up to November 1, 1967, and \$13 per share thereafter up to November 1, 1969 . . . . .    | 37,125             | 48,825             |
| d) for exercise of share purchase warrants which accompanied the Series "D" — 6½% Debentures on the basis of 25 shares for each \$1,000 at a price of \$10 per share up to April 15, 1966, \$12 per share thereafter up to April 15, 1968, and \$14 per share thereafter up to April 15, 1970 . . . . .        | 22,465             | 24,925             |
| e) for exercise of share purchase warrants which accompanied the Series "B" — 6½% Subordinated Debentures of the basis of 10 shares for each \$500 at a price of \$11 per share up to July 15, 1966, \$13 per share thereafter up to July 15, 1968 and \$15 per share thereafter up to July 15, 1970 . . . . . | 16,780             | 17,000             |
| f) for exercise of share purchase warrants which accompanied the 1964 Preferred Shares on the basis of one share for two 1964 Preferred Shares at the same conditions set forth in d) . . . . .  | 25,000             | 25,000             |
| g) for exercise of share purchase warrants which accompanied the 1964 Subordinated Preferred Shares on the basis of two shares for each 1964 Subordinated Preferred Shares at a price of \$12.50 per share from June 15, 1967 to June 15, 1974 . . . . .   | 80,000             | 80,000             |
| h) for exercise of share purchase warrants granted to the fiscal agents of the company at the same conditions set forth in b) . . . . .  | —                  | 5,000              |



# 11 — DETAILS OF CLASS A SHARES RESERVED (continued)

|  | August 31,<br>1965 | August 31,<br>1964 |
|--|--------------------|--------------------|
| i) for exercise of share purchase warrants granted upon the issue of the Series "D" — 6% Secured notes and the 4,000 1963 Preferred Shares at the same conditions set forth in b)  | 15,000             | 15,000             |
|  | 216,170            | 250,425            |
| j) for conversion of the Series "A", 7% Subordinated Convertible Debentures on the basis of (i) 72 shares for each \$500 up to April 1, 1967 plus a cash premium of \$4 for each \$500 and (ii) 56 shares for each \$500 thereafter up to April 1, 1969 plus a cash premium of \$4 for each \$500 . . . . .  | 144                | 24,000             |
| k) for conversion of the 1963 Convertible Preferred Shares on the basis of one preferred share for one Class A share (i) without any further payment if converted before November 1, 1965 (ii) upon payment of an amount in cash of \$2 for each preferred share converted after October 31, 1965 and prior to November 1, 1967 and (iii) upon payment of an amount in cash of \$4 for each preferred share converted after October 31, 1967 and prior to November 1, 1969 . . . . . | 97,290             | 129,800            |
| l) for conversion of the Series "C" 6¼% Subordinated Convertible Debentures on the basis of (i) 40 shares for each \$500 of Subordinated Convertible Debentures up to November 1, 1967, (ii) 35 shares for each \$500 thereafter up to November 1, 1970, and (iii) 30 shares for each \$500 thereafter up to November 1, 1973 . . . . .  | 240,000            | —                  |
| m) for conversion of November 1964 Convertible Preferred Shares on the basis of (i) 4 shares for each convertible preferred share before November 1, 1967, (ii) 3½ shares for each preferred share thereafter and before November 1, 1970 and (iii) 3 shares for each preferred share thereafter and before November 1, 1973. . . . .  | 117,900            | —                  |
| n) for exercise of options granted at \$8 per share up to March 23, 1967 . . . . .   | —                  | 9,000              |
| o) for exercise of options granted at (i) \$11 per share up to November 30, 1965, (ii) \$12 per share thereafter up to November 30, 1966, (iii) \$13 per share thereafter up to November 30, 1967, (iv) \$14 per share thereafter up to November 30, 1968, (v) or \$15 per share thereafter up to November 30, 1969. . . . .   | 8,000              | —                  |
| p) for exercise of options granted at (i) \$12 per share up to November 30, 1966, (ii) \$13 per share thereafter up to November 30, 1967, (iii) \$14 per share thereafter up to November 30, 1968, (iv) or \$15 per share thereafter up to November 30, 1969 . . . . .   | 8,200              | —                  |
| q) for exercise of options granted at (i) \$13 per share up to November 30, 1967, (ii) \$14 per share thereafter up to November 30, 1968, (iii) or \$15 per share thereafter up to November 30, 1969 . . . . .   | 8,200              | —                  |
| r) for exercise of options granted at (i) \$14 per share up to November 30, 1968, (ii) or \$15 per share thereafter up to November 30, 1969 . . . . .  | 8,200              | —                  |
| s) for exercise of options granted at \$15 per share up to November 30, 1969 . . . . .   | 8,200              | —                  |
|  | <u>712,304</u>     | <u>413,225</u>     |

# 12 — CONTRIBUTED SURPLUS

|  |                     |                     |
|--|---------------------|---------------------|
| Balance at the beginning of the year . . . . .   | \$ 1,695,250        | \$ 243,425          |
| Premium received on issue for cash of Class A shares less commission and cost of issue . . . | 950,400             | 1,276,788           |
| Premium received on exercise of share purchase warrants . . . . .                            | 6,500               | 28,525              |
| Excess received on conversion into Class A shares . . . . .                                  | 4,757               | 134,012             |
| Premium received on issue for cash of common shares . . . . .                                | —                   | 12,500              |
| Balance at the end of the year . . . . .   | <u>\$ 2,656,907</u> | <u>\$ 1,695,250</u> |

13 — The company has covenanted in the Debenture Trust Deed, not to declare or pay any dividends if, after giving effect to such payment, the subordinated indebtedness will be in excess of 125% of the adjusted consolidated net worth, as defined in the said Trust Deed. As at August 31, 1965, the subordinated indebtedness does not exceed 125% of the adjusted consolidated net worth.

14 — On September 16, 1965, the company acquired the net assets of New Hampshire Finance Corporation and the shares of its subsidiary New Hampshire Finance Co. Inc. (which notes receivable are approximately \$18,000,000) for an amount of \$4,460,438 (Canadian currency) paid in cash. At the same date, the vendors have subscribed and paid for 200,000 Class A shares of the company and 30,000 6¼% Subordinated Preferred shares, redeemable, cumulative, 1965 issue of \$50 par value each (U.S. funds).



# COMPARATIVE FINANCIAL STATISTICS

|  | 1965               | 1964       | 1963       | 1962      | 1961      |
|--|--------------------|------------|------------|-----------|-----------|
| Total assets . . . . .   | <b>101,760,774</b> | 65,537,087 | 20,962,830 | 6,461,883 | 1,332,700 |
| Notes receivable . . . . .   | <b>93,414,268</b>  | 61,966,276 | 20,170,343 | 6,216,517 | 1,203,261 |
| Reserves (deferred income, dealers' retentions, allowance for doubtful accounts) . . . . . | <b>8,854,192</b>   | 6,858,311  | 2,222,993  | 740,660   | 179,598   |
| Secured debt . . . . .   | <b>65,582,141</b>  | 44,252,706 | 14,125,250 | 3,833,505 | 688,234   |
| Subordinated debt . . . . .  | <b>11,899,500</b>  | 5,680,500  | 2,139,200  | 583,040   | 208,800   |
| Preferred shares . . . . .   | <b>7,846,650</b>   | 3,698,000  | 400,000    | 135,825   | 135,825   |
| Shareholders' equity (including preferred shares) . . . . .                                | <b>14,528,094</b>  | 8,241,911  | 2,248,958  | 1,285,435 | 256,108   |
| Gross income . . . . .   | <b>9,518,728</b>   | 4,295,975  | 1,487,922  | 381,975   | 153,040   |
| Cost of borrowings . . . . .   | <b>3,666,266</b>   | 1,731,900  | 544,956    | 107,922   | 45,436    |
| Operating expenses . . . . .   | <b>4,168,202</b>   | 1,411,908  | 504,935    | 161,983   | 73,785    |
| Net earnings . . . . .   | <b>1,268,717</b>   | 664,224    | 278,567    | 63,047    | 26,153    |
| Earnings per Class A shares (notes 1 and 2) . . . . .                                      | <b>91c</b>         | 89c        | 60c        | 27c       |           |
| Dividend paid on Class A shares . . . . .  | <b>57½c</b>        | 40c        | 13¾c       | 11¼c      |           |
| Number of Class A shareholders . . . . .   | <b>1,662</b>       | 1,056      | 119        | 50        |           |
| Number of Class A shares outstanding . . . . .   | <b>951,335</b>     | 712,770    | 390,900    | 280,000   |           |
| Total number of shareholders . . . . .   | <b>2,897</b>       | 1,573      | 157        | 96        | 44        |
| Number of contracts outstanding . . . . .  | <b>62,659</b>      | 28,929     | 11,010     | 3,258     | 702       |
| Average balance per contract . . . . .   | <b>1,491</b>       | 2,142      | 1,832      | 1,908     | 1,715     |
| Branches in operation . . . . .  | <b>100</b>         | 46         | 10         | 3         | 2         |
| People employed . . . . .  | <b>589</b>         | 276        | 70         | 27        | 9         |

NOTES: 1 : Based on the average number of shares outstanding.  
2 : The Class A shares were created and issued in 1962. However dividends on Preferred shares have been paid since 1956.





Senior officers of Alliance Credit Corporation discussing various aspects concerning operations of the firm's subsidiaries at one of their weekly meetings. From left to right: Messrs. Jean Charbonneau, Executive Vice President and Assistant General Manager, Jean Thérien, President and General Manager, Jean-Paul Groulx, Vice President, André Forest, Vice President and Treasurer and Ulric Ouimet, Vice President.



## The "ALLIANCE" Group and services

### PARENT COMPANY

ALLIANCE CREDIT CORPORATION  
Head Office: Montreal, Que., Canada

### SUBSIDIARY COMPANIES

ALLIANCE FINANCE CORPORATION  
Head Office: Montreal, Que., Canada

ALLIANCE-NORAC LTD.  
Head Office: Montreal, Que., Canada

BANKERS DISCOUNT TRUST, INC.  
Head Office: Boston, Mass., U.S.A.

DORVAL FINANCE CORPORATION  
Head Office: Boston, Mass., U.S.A.

ALLIANZ KREDIT AG  
Head Office: Zurich, Switzerland

The "Alliance" group maintains a personnel of 589 employees serving more than 60,000 clients with 100 branches located in 55 cities of 8 provinces or states, in Canada, the U.S.A. and Europe.



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1. Interior of the branch office located at 6991 St. Hubert, Montreal. The personnel is developing, in these modern offices, a maximum of efficiency from which the public is the first to benefit.
2. Car and truck financing accounts for an important part of our total business. During the last fiscal year, we financed more than 15,000 motor vehicles.
3. During the year, 14,000 families added to their comfort by taking advantage of our household appliance financing service.
4. Alliance Credit Corporation's supervisors are individually responsible for the efficient operation of designated branch offices. They hold regular meetings where valuable exchange of ideas takes place. From left to right: Messrs. G. Bachand, R. Dubreuil, J. A. Lauzon, P. Venne, M. Labrecque, R. Fournier and P. Cloutier.
5. Many farmers find it profitable to take advantage of our farm equipment financing plan.



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## ALLIANCE CREDIT CORPORATION

Sales Financing

Alliance Credit Corporation, the parent company, was incorporated under the Quebec Companies Act by Letters Patent dated June 14, 1955 under the name "Crédit de l'Est Inc." This name was later changed to Alliance Credit Corporation. Its head office is located in Montreal.

Alliance Credit Corporation owns all the outstanding share capital of its subsidiary companies and presently supplies them with necessary operating funds, with the exception of Allianz Kredit AG, its European subsidiary, which contracts its own borrowings directly.

Apart from fulfilling the function of parent company and of providing the necessary funds to the subsidiary companies, Alliance Credit Corporation is also engaged, under the supervision of Mr. Pierre Venne, in the discounting of conditional sales agreements covering the purchase of new and used cars, light trucks, household appliances and other consumer goods.

The purchaser makes an initial payment, the amount varying according to the merchandise being financed. In purchasing a car, for example, the requested down payment is usually one third of the purchase price.

As a security, Alliance holds a lien on all financed merchandise and ascertains their adequate insurance coverage by the client. The endorsement of the dealer is obtained in almost all transactions and in most cases life insurance is taken on the purchaser's life which affords Alliance and the dealer additional protection.

Alliance also finances dealers' inventories as the latter are required to pay the manufacturer on delivery, according to current practice.

Alliance Credit Corporation accounts for approximately 50% of the group's total business through its 27 branch offices located throughout the provinces of Ontario and Quebec. Its present staff numbers 273.





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1. Artist's conception of our future branch at Place Victoria, in the heart of Montreal's financial district.
2. Company officers in charge of operations in the various provinces where Alliance Finance Corporation carries on business. From left to right: Messrs. J. G. Gagnon, L. R. Tanner, V. F. Raymond, B. Brossard, J. R. Frenette and C. F. Taylor.
3. Alliance Finance Corporation features its "24 hour a day

service" at this branch office, situated at 8448 St-Laurent, Montreal.

4. Inside view of a Toronto branch office.
5. Office situated at 6991 St. Hubert, Montreal, where Alliance operates jointly a personal loan and household appliance financing service.
6. Group of young employees taking a course, part of an intensive training programme, designed to qualify them for higher functions.

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## ALLIANCE FINANCE CORPORATION

Personal Loans

Alliance Finance Corporation was formed in 1964 to enter the personal loan business covering loans in amounts not exceeding \$5,000. This subsidiary company, under the supervision of Mr. Victor F. Raymond has quickly earned the public's confidence with modern and attractive branch offices situated in favorable locations and designed to provide maximum customer satisfaction. This subsidiary now operates 58 branch offices of which 42 are in the Province of Quebec, 7 in Ontario and 9 located in the three provinces of New Brunswick, Nova Scotia and Newfoundland.

Alliance Finance has rapidly enhanced its popularity by offering, in principal areas, business hours convenient to the public. Its "24 hour a day service", launched at the very beginning of its operations, has contributed to making the firm known in Greater Montreal and certainly accommodated a wide clientele.

The senior management of Alliance Finance Corporation includes people known and respected for their extensive experience in the field of personal loans. Branch managers have also many years of experience in this field. The other employees benefit from an intensive training programme designed to prepare them for higher functions. More than one hundred young people have already completed a preliminary theoretical and practical course as part of the programme and are gradually progressing through other stages. Efficient control over the operation of branch offices is exercised by a group of Head Office supervisors who regularly visit the branches assigned to them. Needless to say, the other subsidiary companies have similar control policy.

The assets now exceed 11 million dollars with personnel totalling 263. Last year Alliance Finance Corporation served more than 17,000 clients.



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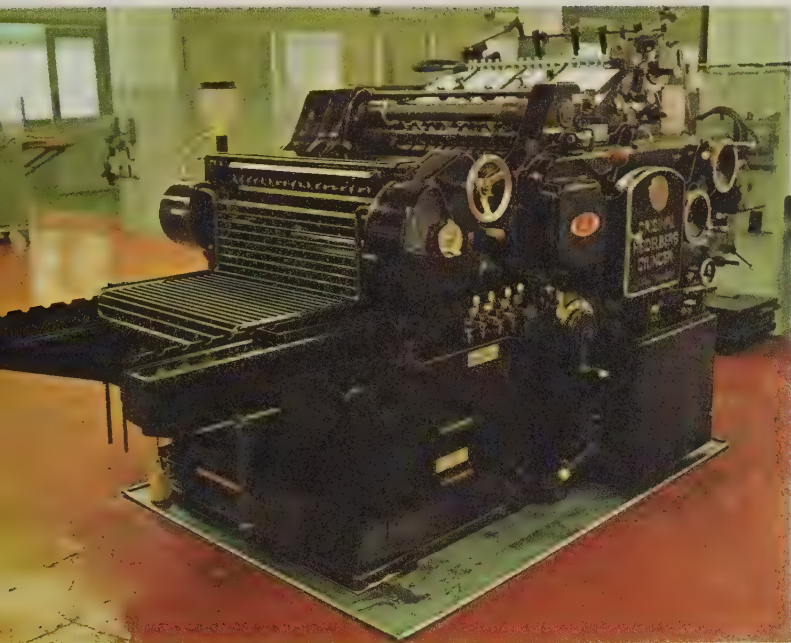


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## ALLIANCE-NORAC LTD.

Industrial and Commercial Financing

Alliance-Norac Ltd. (formerly Norac Finance Corporation Ltd.) was acquired in May 1964. This company was founded in 1959 and specialized in the financing of industrial and commercial equipment. Shortly after its acquisition, the name was changed to Alliance-Norac Ltd. and the industrial division of Alliance Credit Corporation was integrated into this subsidiary.

This company has assets presently totalling over 27 million dollars.

Alliance-Norac Ltd. with 44 employees offers its services through four branches; two located in Montreal, one in Quebec City and one in Toronto. The main business of this subsidiary is to discount conditional sales contracts covering the purchase of equipment such as transport and trailer trucks, cement mixers and other quarry equipment, highway construction machinery, etc. Also included among its many services is the financing of such varied items as school buses, prefabricated houses and printing equipment.

Alliance-Norac also contributes to the industrial development in offering a service of short term and medium term loans. These loans are secured in various ways such as pledges on machinery and equipment, mortgages on real estate property and by way of floating charges under trust deeds.

The study of commercial loans is completed by credit analysts and professional appraisers in industrial equipment and real estate. In certain instances the services of outside technical consultants are retained. Finally these loans are submitted to the Executive Committee of the company for approval.

According to certain provisions of trust deeds between the parent company or its subsidiaries and various trust companies, the maximum amount that Alliance-Norac Ltd. may lend to any single business firm or individual is limited to a definite percentage of the paid up capital and surplus of the parent company. The loans presently outstanding are strictly in compliance with the above mentioned provisions.

Finally the receivables are well diversified among several sectors of the economy. The average term of these receivables runs approximately 27 months and the average loan outstanding is \$10,000.

1. A group of officers of Alliance-Norac Ltd. at one of their weekly meetings. From left to right: Messrs. G. J. Blondeau, J. V. Loranger, R. C. Desautels, S. Milic, R. Chiniara.
2. Alliance, through its industrial financing service, has participated in various important projects in our country. Photograph of "Manic 2", Manicouagan power project.
3. Industrial Division office, located at 8615 St-Laurent, Montreal.
4. Printing equipment financing is one of the many services offered by Alliance.
5. Motor boat financing is included among the numerous services offered by our company.



Photo C.N.R.





## BANKERS DISCOUNT TRUST, INC. DORVAL FINANCE CORPORATION

U.S. subsidiaries

BANKERS DISCOUNT TRUST, INC., founded in 1951 was acquired in May 1964. At that time, this subsidiary operated only one branch office in Boston, Mass. and limited its operations to automobile financing.

Since the acquisition, new branches have been established in Brookline, Brockton, Worcester and Springfield, all in the State of Massachusetts. Bankers Discount Trust, Inc. under the supervision of Mr. Raynald Cloutier, has now 23 employees and services over 3,000 clients. Its operations include automobile financing and discounting conditional sales contracts covering such purchases as household appliances, mobile homes, etc. The company also provides automobile inventory financing for its authorized dealers.

DORVAL FINANCE CORPORATION was formed in March 1965 for the purpose of developing, under the supervision of Mr. Alan H. Fisher, the personal loan business in the United States and to complement the services of Bankers Discount Trust, Inc. Four branch offices have been opened in Providence, Woonsocket, Warwick and Westerley, all in the State of Rhode Island. Another branch will open soon at East Providence.

The acquisition of Bankers Discount Trust, Inc. and the formation of Dorval Finance Corporation, whose consolidated assets amount to over 5 million dollars, marked the inception of our group's operations in the United States. We have carefully examined the different scopes of our business in the U.S. and it is our firm intention to pursue further our expansion programme into other states.

1. Special loans to aid the financing of university studies are available from Alliance.
2. A group of officers representing Bankers Discount Trust, Inc. and Dorval Finance Corporation discussing U.S. operations of the company. From left to right: Messrs. R. Kempton, R. Rock, A. H. Fisher, H. W. Stackhouse, E. P. Dutton.
3. Not only do Alliance customers have a complete loan service at their disposal, they may also obtain useful advice in family budgeting.
4. Lucerne, Switzerland.







## ALLIANZ KREDIT AG

European subsidiary

Allianz Kredit AG (formerly Finanz AG, Zurich) founded in 1931 was acquired at the beginning of 1965. Its Head Office is located in Zurich, Switzerland.

Allianz Kredit AG, with assets totalling over S.Fr. 6,000,000, is under the supervision of Dr. Clemens Sager and Mr. H. Peter Dahmen and is the only subsidiary to contract its borrowings directly. It operates branch offices in Zurich, Bâle and Lucerne with a clientele exceeding 1,800.

The operations of Allianz Kredit AG are mainly concerned with the financing of new and used cars as well as household appliances. Personal loans and mortgage loans on residential property are also included among this subsidiary's activities.

As in the case of other subsidiaries, a reserve is set up to cover doubtful accounts. In addition, this subsidiary's notes receivable have the added protection of being insured against losses, a current practice in Europe.

The acquisition of Allianz Kredit AG has marked a first step in the European market, a move we consider very promising for our organization. It is our intention to expand to other European countries. In fact, as this Report is being published, we are considering the acquisition of a French firm engaged in a business similar to that of this subsidiary.

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# ALLIANCE CREDIT CORPORATION AND ITS SUBSIDIARIES

## Network of Branches

The parent company and its subsidiaries are operating 100 branches in the following cities.

### CANADA

#### QUEBEC

Asbestos

Belœil

Cowansville

Drummondville

Farnham

Granby

Joliette

Laval

Lévis

Longueuil

Matane

Mont-Laurier

Montmagny

Montréal

Québec

Rivière-du-Loup

St. Eustache

St. Hyacinthe

St. Jérôme

Shawinigan

Sherbrooke

Sorel

Thetford Mines

Trois-Rivières

Valleyfield

Verdun

Victoriaville

Ville LaSalle

Waterloo

#### ONTARIO

Guelph

London

Ottawa

Peterborough

Streetsville

Toronto

Windsor

#### NEW BRUNSWICK

Bathurst

Moncton

Saint John

#### NOVA SCOTIA

Halifax

Sydney

Truro

#### NEWFOUNDLAND

Cornerbrook

Grand Falls

### UNITED STATES

#### MASSACHUSETTS

Brockton

Brookline

Springfield

Worcester

#### RHODE ISLAND

Providence

Warwick

Westerly

Woonsocket

#### NEW HAMPSHIRE\*

Concord

Dover

Keene

Manchester

### EUROPE

Bâle

Lucerne

Zurich

\*branches of New Hampshire Finance Corporation, a subsidiary acquired on September 16, 1965.







